

Message Text

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QUOTE

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C O R R E C T E D C O P Y (CORRECTION MISSING LINES 4 & 7 PARA 2)

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SUBJECT: GUCDA
CE FOR PERU CONSULTATIVE GROUP MEETING
REF: STATE 107748

FOR ADCOR

BACKGROUND ON U. S. POLICY TOWARD PERU, INVESTMENT DISPUTES AND US ASSISTANCE PROGRAMS BEING TRANSMITTED BY AIRGRAM. US- PERUVIAN RELATIONS ARE OVERSHADOWED BY SERIES OF INVESTMENT DISPUTES AND BY THE FISHERIES DISPUTE. AS A RESULT, US INVOLVEMENT IN PERUVIAN DEVELOPMENT HAS BEEN SEVERELY CIRCUMSCRIBED AND WE DO NOT BELIEVE IT APPROPRIATE FOR THE US TO ENTER INTO GENERAL DISCUSSION PERUVIAN FINANCIAL AND DEVELOPMENT POLICIES AT CONSULTATIVE GROUP MEETING. WE ARE CONTINUING TO SEEK NEGOTIATED SOLUTIONS TO THESE PROBLEMS. WE WOULD LIKE TO SEE THE CONSULTATIVE GROUP MEETING HAVE SUBSTANTIVE EFFECTS ON THESE EFFORTS BUT ARE NOT OPTIMISTIC THAT THIS CAN BE DONE. WE THINK IT IS BETTER THEREFORE TO MAINTAIN A CORDIAL, NON- SUBSTANTIVE, LOW PROFILE POSTURE.

WE ARE HOPEFUL, HOWEVER, OF USEFUL RESULTS FROM THIS MEETING IN CONNECTION WITH THE MAY 7, 1973 NATIONALIZATION BY GOP OF FISHMEAL INDUSTRY IN CONTEXT OF PERUVIAN CREDIT WORTHINESS. CABLES ON THIS SUBJECT ARE BEING REPEATED FOR YOUR INFORMATION. SINCE SEVEN OF ELEVEN COUNTRY MEMBERS OF CONSULTATIVE GROUP HAVE HAD FISHMEAL ASSETS NATIONALIZED THERE IS PRESUMPTION THAT THEY WILL WISH TO SEE THE SUBJECT RAISED AND THAT PERUVIAN DELEGATION WILL HAVE TO MAKE A STATEMENT ON THIS SUBJECT. WE UNDERSTAND THAT IBRD HAS BEEN IN CONTACT WITH GOP URGING THAT PERUVIAN REPRESENTATIVES USE THIS OPPORTUNITY TO AFFIRM THEIR INTENTION TO MAKE PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION. IN VIEW OF OUR LONG HISTORY OF INVESTMENT DISPUTES WITH PERU, WE BELIEVE PRESSURES ON PERU IN THCE CASE WILL BE MORE EFFECTIVE IF LEAD IS TAKEN BY OTHER AFFECTED COUNTRIES OR IBRD. WE HAVE INSTRUCTED EMBASSIES IN AFFECTED CAPITALS TO BC NG THIS PROBLEM TO ATTENTION OF GOVERNMENTS IN THE HOPE THAT THEY MAY APPROACH GOP DIRECTLY AND THEIR CONSULTATIVE GROUP DELEGATIONS MAY PURSUE ISSUE EITHER FORMALLY OR INFORMALLY IN PARIS.

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WE HAVE ALSO SUGGESTED TO IBRD THAT THEY SHOULD RAISE THE ISSUE. YOU SHOULD DRAW ON CABLES BEING REPEATED TO YOU IN INFORMAL DISCUSSIONS WITH OTHER DELEGATIONS.

THE MOST LIKELY OUTCOME IS THAT THE PERUVIAN REPRESENTATIVES WILL TALK IN GENERALITIES ABOUT PROVIDING

COMPENSATION, BUT WILL NOT GO BEYOND TERMS SET FORTH IN DECREE OF NATIONALIZATION WHICH PROVIDED FOR TEN PERCENT PAYMENT IN CASH, AND THE BALANCE IN TEN YEAR, SIX PERCENT, NON- TRANSFERABLE, LOCAL CURRENCY BONDS. WE ARE PARTICULARLY CONCERNED THAT PRODUCTION COST MAY BE USED AS A BASIS FOR VALUATION OF INVENTORY AS THIS WOULD REPRESENT ONLY A FRACTION OF PRESENT MARKET VALUE. IN THE ABSENCE OF MORE SPECIFIC INFORMATION IT DOES NOT APPEAR THAT THE MECHANISM PROVIDED IN THE DECREE WILL ASSURE COMPENSATION MEETING THE PROMPT, ADEQUATE, AND EFFECTIVE CRITERIA OF INTERNATIONAL LAW.

IF IBRD AND/ OR OTHER DELEGATIONS SATISFACTORILY TAKE THE LEAD IN OBTAINING CLARIFICATION, YOU SHOULD CONFINE YOURSELF TO EXPRESSIONS OF AGREEMENT. IF, HOWEVER, IT BECOMES NECESSARY TO ASSURE THAT THE ISSUE IS RAISED IN SATISFACTORY TERMS, YOU SHOULD EXPRESS US CONCERN POINTING OUT THAT WHILE WE RESPECT THE RIGHT OF PERU TO NATIONALIZE, WE EXPECT PERU TO ESTABLISH CRITERIA FOR VALUATION THAT ARE FAIR AND APPLICABLE TO ALL AND THAT COMPENSATION MEETS INTERNATIONALLY ACCEPTED NORMS.

IN ANY EVENT AT AN APPROPRIATE TIME WE SUGGEST THAT THE DELEGATION COMMENT ALONG FOLLOWING LINES.

US IS PLEASED TO PARTICIPATE IN THE C. G., IF ONLY AS AN OBSERVER. WE COMMEND THE FINE PRESENTATION OF PERUVIAN DELEGATE AND THE EXCELLENT ANALYSIS OF PERUVIAN ECONOMIC PROBLEMS PREPARED BY THE IBRD. THERE HAVE BEEN A NUMBER OF INVESTMENT DISPUTES IN ADDITION TO THOSE INVOLVED IN THE FISHMEAL INDUSTRY WHICH HAVE NOT YET BEEN RESOLVED. THESE HAVE PREVENTED THE US FROM PARTICIPATING IN INTERNATIONAL EFFORTS TO ASSIST PERUVIAN ECONOMIC AND SOCIAL DEVELOPMENT AS FULLY AS WE WOULD LIKE. THE US CONTINUES TO APPROACH THESE PROBLEMS IN A SPIRIT OF GOOD WILL AND WE

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HOPE THAT DEVELOPMENTS WILL PERMIT OUR FULL PARTICIPATION AT THE NEXT MEETING OF THIS GROUP. UNQUOTE PORTER

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